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C O N F I D E N T I A L SECTION 01 OF 02 SANTO DOMINGO 003199

SIPDIS

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TAGS: [ETRD](#) [PGOV](#) [EFIN](#) [DR](#) [CAFTA](#)

SUBJECT: AMBASSADOR BRINGS TOGETHER DOMINICAN PRESIDENT AND
LEGISLATORS FOR CAFTA

Classified By: DCM Lisa Kubiske. Reason: 1.4 (b) and (d).

1. (SBU) At the Ambassador's initiative, Dominican President Leonel Fernandez convened a meeting at the presidential palace on Tuesday evening, June 14, with the presidents of the Dominican Senate and House, mediator Monsignor. Agripino Nunez of the Catholic PUCMM university, the Ambassador and DCM to discuss timing of legislative ratification of the free trade agreement with the United States and Central American states (CAFTA).

2. (SBU) By the end of the meeting, the Dominicans had all agreed:

- that they all supported CAFTA;

- that they would convene a public "hearing" at the Palace on Wednesday morning next week with President Fernandez chairing at least the opening and closing sessions, to give the principal interested parties a chance to voice their concerns and be heard at a national level. They will probably include the press. Afterwards, they announced this much to the press (some reporters mistakenly wrote that the session would be today instead of next week). Msgr Agripino Nunez will convene the meeting in his capacity as chair of the ad hoc "National Dialogue."

- that there would be no commitment to legislating immediately to fulfill any of the concerns expressed, but that the information could be factored into later discussions about the budget and public spending bills for 2006 and eventual fiscal reform. Fernandez was categorical in his insistence that the government would adhere to the 2005 budget as already voted, despite any moves to craft fiscal reform, as required by the IMF agreement.

- that it should be possible to have the Dominican congress vote to ratify a week later, i.e., by around the end of June.

3. (SBU) Comment: We know from experience that lots of follow up will be needed. However, the agreement to hold a hearing and for President Fernandez to lend his prestige and stature to the exercise breaks several weeks of CAFTA inertia in the Dominican Republic. Fernandez agreed readily late last week when the Ambassador proposed such a meeting, the guest list for it, the focus, and the presentation. Msgr. Nunez was a skillful "closer."

4. (C) The Ambassador's pitch was that the timing of Dominican ratification matters greatly, as it will send a signal to Washington of interest in the trade agreement by the Dominicans as a people and country with close relations and a sizable trade with the US. He argued that there is little downside to ratifying before the U.S. Congress takes action and a lot to lose from delay.

5. (SBU) Fernandez insists on de-linking the vote on CAFTA from the process of deciding on fiscal reform and any eventual "compensatory measures." The Ambassador noted the good outcome reported from the Senate Finance Committee's mock mark-up earlier in the day. He complimented Fernandez for exercising presidential leadership.

6. (SBU) The congressional leaders agreed that giving special interests a chance to "be heard" would be sufficient before moving to a vote. (Note: Chamber president Alfredo Pacheco has also just been elected as one of several national vice presidents of the PRD.)

7. (C) In informal comments to the Ambassador, Senate president and DCM before the meeting, Fernandez commented that the free trade agreement would put a great deal of pressure on Dominican businesses. He sounded uncharacteristically pessimistic. Continuation of the Caribbean Basin Initiative would have been easier for the country, which in only a short period had moved from being primarily an agricultural economy to being a service economy, without the phase of significant industrial development. The free zone industries were a thing apart

from the domestic economy, he commented, given that most of them imported inputs and exported essentially their entire production. He spoke of his desire to reinforce democracy and institutions in the country, commenting that the United States has its own brand of democracy, in which there is a certain amount of control by opinion-makers. For example, he said, when the New York Times recently printed an article on the Dominican Republic that contained "inaccuracies," Fernandez wrote to the paper. The editors at first ignored his comments and then, after some inquiries, agreed to print excerpts but not the full text. Fernandez declined to accept any editing, and the letter never appeared. In contrast, he said, "Here, newspapers will print anything that anyone says, regardless of whether the comments are truthful or informed."

Other News

18. (SBU) Fernandez was scheduled to give a speech that same evening delivering his decision on whether to proceed with cuts in the subsidy for cooking gas agreed in the IMF program. (septel follows). He previewed his approach, stating that the government is NOT in a position to eliminate it right now. (NOTE: Fernandez did tell the country that the subsidy would be continued at its present level of 17 pesos per gallon of LPG, approximately US 60 cents; he mentioned the fact that the mechanisms and infrastructure are not yet available to target the subsidy.) The President related that when the government did the survey of poorest families, who number about 180,000 it turned out that many were using wood or coal, not gas. This being so, he said, targeting the subsidy to the poorest group would not provide any comfort to the neediest. Removal of the subsidy would hurt middle class households and transportation operators. Political pressure from the transportation sector has been vocal and insistent; he seems to have decided that now is not the time to remove the subsidy for these groups. He expressed the hope that eventually more vehicles would use liquefied natural gas, since it is cheaper and cleaner than gasoline.

19. (SBU) Fernandez highlighted to the congressional leaders his hopes that the Central Electoral Board (JCE) and the Camara de Cuentas, a government auditing body, could both be staffed by non-partisan officials to give these groups credibility. The Congressional leaders listened but did not comment.

Hertell